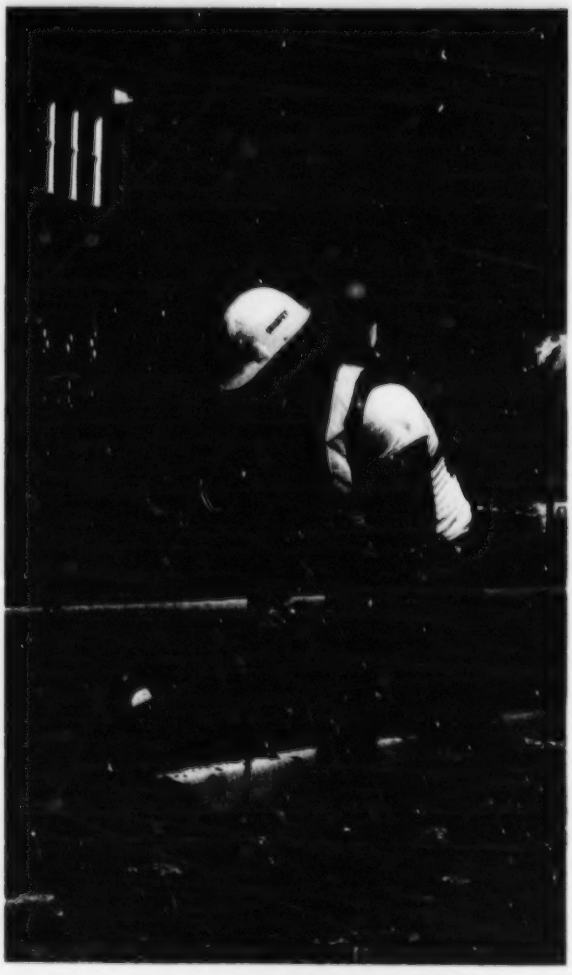


Message from the Regional Chairman

Results for the year ended December 31, 1987 demonstrate the strength and vitality of the Region of Durham. It was a record-breaking year for new building permits, a trend which has continued into 1988. Durham is experiencing growth in all areas - from the continued expansion and investment in the Region of Durham by General Motors of Canada Limited in their construction of a $33 million corporate headquarters on lakefront property in Oshawa to such recent industrial expansion announcements, as Sandoz Anca's $15.8 million planned expansion in their pharmaceutical manufacturing company in Whitby.

In addition to these major commitments which will attract further new industry and growth to the Region, 1987 saw a new cultural landmark with the $5.4 million expansion to the Robert McLaughlin Art Gallery in Oshawa.

The Region has continued to demonstrate strong financial policies and will begin 1988 with an overall surplus of $4.9 million, a position which exceeds the surplus of $3.8 million available at the beginning of 1987. The Region has increased capital spending to meet the demands of ratepayers and the development growth being experienced. At the same time, the Region has also maintained its "pay-as-you-go" fiscal policy on capital spending. No debenture financing was required in 1987 for Regional purposes - the fifth consecutive year for such an achievement. Consequently, our ratepayers experienced a further decline in per capita debt which is a remarkable financial achievement in terms of current development trends. Certainly the Region's "pay-as-you-go" policy has helped to maintain the Region's credit rating at an 'Aaa' (Triple A) level, an achievement which has recently been confirmed by Moody's Investors Service Inc.

From a personal point of view, I am thankful to Regional Council, the Chief Administrative Officer and other senior staff in their commitment to establishing economic goals and setting financial targets which will ensure attractive opportunities and development activity in the future within the Region.

Durham Region is a vibrant, financially sound municipality which is continuing to grow at record levels and of which all ratepayers can be proud.

G. Herrema,
Regional Chairman

REGIONAL COUNCIL

CHAIRMAN
GARY HERREMA

COUNCILLORS

TOWN OF AJAX
* William McLean
Jim Witty

TOWN OF NEWCASTLE
* John Winters
Ann Cowman
Diane Hamre
Marie Hubbard

TOWN OF PICKERING
* John Anderson
Robert Mitchell
Alex Robertson
Beverley Morgan

TOWN OF WHITBY
* Robert Attersley
Tom Edwards
Gerry Emm

CITY OF OSHAWA
* Allan Pilkey
John Aker
Michael Armstrong
Pauline Beal
Linda Dionne
Cy Elsey
Irv Harrell
Edward Kolodzie
Allan Mason
Brian Nicholson
Doug Wilson

TOWNSHIP OF BROCK
* Allan McPhail
Keith Shier

TOWNSHIP OF SCUGOG
* Jerry Taylor
Lawrence Malcolm

TOWNSHIP OF UXBRIDGE
* Gerri Lynn O'Connor
Donald Jackson

* Denotes Mayor of Municipality

CHIEF ADMINISTRATIVE OFFICER
D.R. EVANS, MA. Sc., P. Eng.

FINANCE DEPARTMENT
J.L. GARTLEY, CMA, AMCT
COMMISSIONER OF FINANCE AND TREASURER

R.J. CLAPP, CA
DIRECTOR OF TREASURY SERVICES

E. DEHAAN, CMA
MANAGER OF ACCOUNTING

R.D. SIBLOCK, CMA
MANAGER OF WATER & SEWER BILLING
AND CUSTOMER SERVICE

J.P. PENNACHETTI, MBA, CGA
DIRECTOR OF ADMINISTRATIVE SERVICES

P.N., RICHARDS, BBA, MBA
MANAGER, BUDGETS, ECONOMIC
STUDIES AND RISK MANAGEMENT

J.S. LORNE, CET, MBA
MANAGER, SUPPLY & SERVICES

AUDITOR
DELOITTE, HASKINS & SELLS, CHARTERED ACCOUNTANTS

BANKER
CANADIAN IMPERIAL BANK OF COMMERCE

MANAGERS OF FISCAL AGENCY
- PEMBERTON SECURITIES INC. -
- DOMINION SECURITIES INC. -
- WOOD GUNDY LIMITED -

Table of Contents

	Page No.
Annual Report of the Commissioner of Finance	1 - 11
Financial Review	13
Auditors' Report	15
Financial Statements	
Consolidated Balance Sheet	16
Consolidated Statement of Operations	17
Notes to Financial Statements	18 - 25
Supporting Schedules	
Schedule 1 - Schedule of Consolidated Operations	27
Schedule 2 - Summary Schedule of Continuity of Reserve Funds	28
Schedule 3 - Continuity of Reserve Funds	29
Schedule 4 - Sewage Reserve Funds	30
Schedule 5 - Water Reserve Funds	31
Sinking Fund **Auditors' Report & Financial Statements**	
Auditors' Report	33
Statement of Continuity & Balance Sheet	34
Trust Fund **Auditors' Report & Financial Statements**	
Auditors' Report	36
Statement of Continuity & Balance Sheet	37

Annual Report of the Treasurer and Commissioner of Finance For the year 1987

PREFACE

It is my privilege to present the Financial Statements for the Regional Municipality of Durham for the year ended December 31, 1987, including the Auditors' Report thereon, and to highlight some of the more salient financial and economic activities and events which occurred during the year.

The audited financial statements presented herein have been prepared in accordance with accounting principles generally accepted by municipalities in Ontario. The accounting principles used are those judged to be most appropriate under the circumstances with significant accounting policies described in the accompanying Notes to the Financial Statements.

To ensure that transactions are accurately recorded on a timely basis, properly approved, and result in reliable financial statements, the Region maintains an extensive system of internal accounting controls. The adequacy and preparation of the control systems are monitored on an ongoing basis by the Treasury Services Section of the Region's Finance Department.

The firm of Deloitte, Haskins and Sells, Chartered Accountants, through its Auditors' Report has expressed an independent and informed judgement as to whether the Region's financial statements present fairly the Municipality's financial position and results of its operation in conformity with generally accepted accounting principles.

The Auditors' Report is based on the findings from an examination of the Region's accounting systems, procedures and internal controls and is conducted in accordance with generally accepted auditing standards.

The financial information contained in my Annual Report, which follows, is consistent with the annual audited financial statements.

The Year in Review

ECONOMIC HIGHLIGHTS

A strong economy combined with the locational and economic advantages displayed by the Region of Durham fostered record breaking growth in 1987. Dynamic growth in our residential sector establishes the labour force which will attract industry.

With housing prices and taxes being substantially lower than our neighbours to the west, families are looking to Durham to live, play and raise a family. This in turn will, for the most part, result in the wage earners looking to Durham for their employment opportunity. Complementing this sectoral growth, the service and retail sectors will develop and flourish.

The Service Sector is an important employment generating sector. A recent study by the Ministry of Industry, Trade and Technology established that 73% of employment in Ontario is in the Service Sector and 80% of new job generation will be in this sector. However, the Region is attracting a more than average amount of manufacturing growth because of its economic and geographic advantages.

In 1987, the Region of Durham has again established a new building permit record, exceeding the previous record set just last year. Total building permits were $895 million in estimated construction value compared to $720 million in 1986. This represents an increase of approximately 24%. The major component of this growth was the residential sector with permit activity jumping from $506 million in 1986 to $670 million in 1987 (a 32% increase).

This activity translated into 8,344 new residential units constructed in the Region of Durham. This is the highest annual level of housing production recorded in Durham since the Region was established, surpassing the 1986 record of 7,203 units, by 16%. This growth will provide the underlying labour strength in which new and existing industries can grow and prosper as our strength is the people of our community.

Non-residential building permits which include industrial, commercial, agricultural, institutional and governmental construction grew slightly to $202 million from $197 million. The breakdown was as follows: industrial down slightly from $113 million to $92 million in 1987; commercial up from $41 million to $52 million in 1987; agricultural up slightly from $2.5 million to $3 million in 1987; institutional doubling to $42 million in 1987 and governmental declining from $20 million in 1986 to $13 million in 1987.

The most significant statistics show Durham Region's growth in the share of the Greater Metropolitan Toronto area up from 12% to 13% and the drop in the official unemployment rate from 4.8% to 4.1% in December of 1986 and 1987 respectively.

Although Durham Region's industrial sector experienced a modest drop in value from 1986 to 1987, the $92 million in industrial building permits represents a significant increase from the 1986 total when the General Motors of Canada permits are excluded. However, 1988 will again see an increase as General Motors plans to rebuild the Chevrolet Plant and a new Administrative Headquarters on the southeast side of Oshawa.

In 1987, major announcements on industrial growth included a 250,000 square foot new Volkswagen facility for a Central Parts Distribution Centre and Service Training Centre in Ajax, an $8.3 million expansion by Dupont Canada for its nylon production plant in Whitby, a 325,000 square foot new paper recycling plant by Atlantic Packaging Products Limited in Whitby, a new 100,000 square foot headquarters for Alderbrook Industries in Pickering and a new $6 million transportation centre by TNT Overland Express to service the new G.M. autoplex. These are just a few examples of the growth taking place in the Region of Durham.

FINANCIAL

Overview

In 1987, the budget impact on the average ratepayer increased by 9.8% for general purposes whereas the combined water and sewer rate increased by only 4.0% for water and sewer customers.

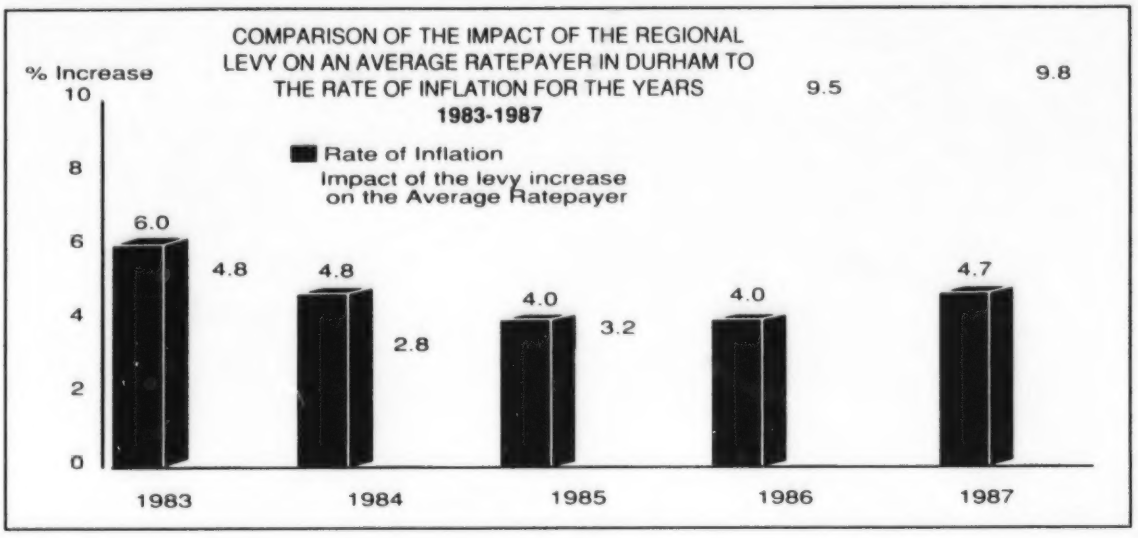
Regional Council continued its fiscally prudent policy of budgeting a special capital levy amount from current funds with the objective of eliminating the need for long-term borrowing for known projects. In the 1987 general purpose budget, Regional Council set aside $1.5 million ($852,333 in 1986) for such special projects as the Pickering Police Station, a 911 Emergency Telephone System and renovations to certain Homes for the Aged facilities which will be financed over a 2 to 4 year period from current operations with incremental increases projected for future years which will eliminate long-term borrowing for known projects.

Moreover, approximately $14.2 million ($6.7 million in 1986) was provided in the water and sewer current budgets for capital expenditures to be financed from the 1987 current operations. As a result, debenture financing was not required for the Region's share of costs of the 1987 capital projects in keeping with Regional Council's "pay-as-you-go" policy.

The 1987 general levy budget increase exceeded the rate of inflation and yet, when combined with the water/sewer rate increase and with the controlled financial planning for capital expenditure from current funds, it was very reasonable. Financial controls and monitoring of revenues and expenditures are essential elements in exercising strong fiscal responsibility. Regional Council once again, through strict financial controls, was able to demonstrate excellent financial accomplishments. The year's financial activities resulted in a consolidated fund balance (surplus) of $4.9 million to be used to offset taxation and user charges. This fund balance is comprised of $1.9 million for general purposes, $0.8 million for the waterworks system, $1.9 million for the sanitary sewerage system, $0.1 million for the waste disposal system and $0.2 million for environmental inspections. The budgetary savings which contributed to the surplus balances were a direct result of cost and other financial controls currently in place and carefully followed by staff as directed by the Chief Administrative Officer.

For the water and sanitary sewer funds, as mentioned previously, the surplus from operations was accomplished in a year

EXHIBIT 1



when the rate increase was only 4%, which was consistent with the rate of inflation. In constant dollars, the Regional levy has increased from $203 per household in 1980 to $232 in 1987, which has increased the amount per household as a percentage of disposable income from 0.74% in 1980 to 0.87% in 1987.

In 1988, cost efficiencies from current policies and practices will continue, resulting in 1988 water and sewer rate increases of 5% which approximate the expected rate of inflation for the year. At the same time, the general purpose levy will increase at a rate above inflation, or approximately 6.8% for the average ratepayer in Durham. This rate of increase, a higher rate than the estimated rate of inflation, is partly as a result of Regional Council's decision to provide for 100% financing of the 1988 capital projects from the current levy and from certain additional costs in the area of police, roads, waste disposal and social services which result from the rapid growth and development occurring in the Region of Durham.

Regional Council has established sound financial policies which are followed carefully by senior staff. Strict adherence to these policies assures the financial stability and integrity of the Region of Durham for the future.

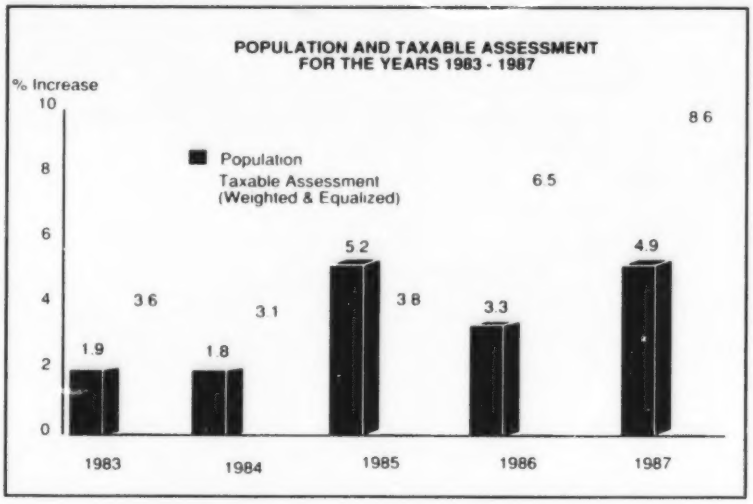
Regional Levy

Exhibit 1 compares the impact of the Regional levy on an average ratepayer to the rate of inflation for the last five years.

Population and Taxable Assessment Growth

The population in Durham increased in 1987 by 4.9% but, more notably, the **taxable assessment increased at a greater rate (8.6%).** This positive trend is indicated in Exhibit 2.

EXHIBIT 2



Sources of Financing - Revenue Fund

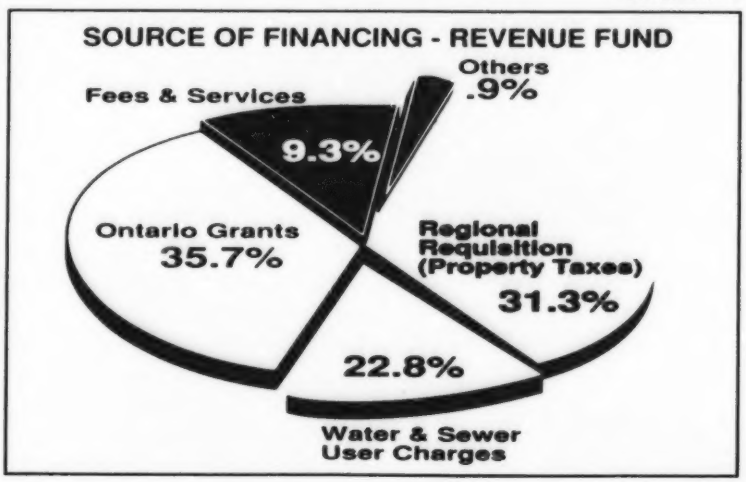
The main sources of revenues in 1987 for Durham are presented in Exhibit 3.

The Province of Ontario has provided the Region with its major financing source by contributing $52.7 million or 35.7% of the total current revenues for 1987.

The other main sources of revenue and their percentage of the total current revenues for 1987 included:

- Regional Requisitions on Area Municipalities - $46.4 million - 31.3%
- User Charges for Water and Sewer - $33.7 million - 22.8%
- Fees and Service Charges - $13.8 million - 9.3%
- Other Sources - $1.3 million - 0.9%

EXHIBIT 3



Expenditures - Revenue Fund

The 1987 revenue fund expenditures for the Region of Durham are presented herewith according to their major functional headings.

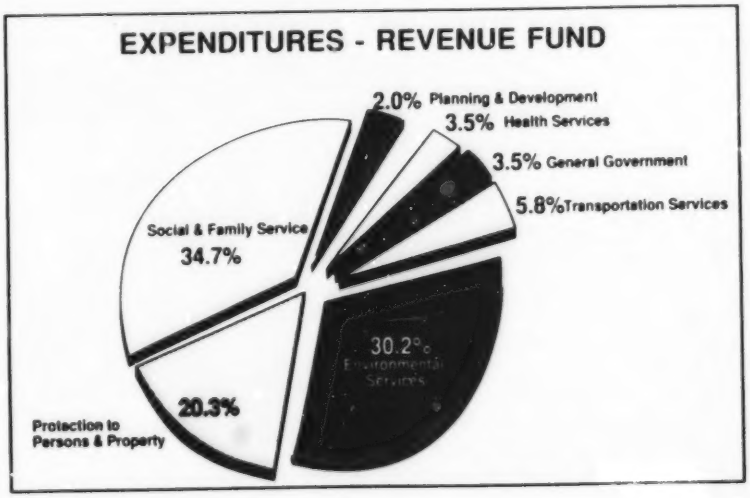
Social and Family Services represent the major expenditure item at $48.2 million or 34.7% of total current expenditures. The cost of Social and Family Services includes welfare assistance, family counselling, day nursery services and the maintenance of Durham's three Homes for the Aged. These costs are directly related to programs established by the Province of Ontario and accordingly are extensively subsidized by the Province. During 1987, the Social Services Department of the Region of Durham assumed the administrative role for the Family Benefits Assistance Program, a 100% financed Provincial Program which is integrated with General Welfare Assistance and designed to remove welfare clients from municipal responsibility, where appropriate, at a faster rate.

The cost for Protection to Persons and Property is $28.2 million or 20.3% of total expenditures. Of this amount, $27.8 million represents Police costs for the year while the balance represents the Regional share of the costs of various Conservation Authorities and the Emergency Measures program.

The balance of expenditures of the revenue fund includes the following individual expenditures expressed in dollars and as a percentage of total expenditures:

- Environmental Services (water, sewer and waste disposal operations), $42.0 million - 30.2%
- Transportation Services (including traffic control), $8.0 million - 5.8%
- Health Services (including public health inspection), $4.8 million - 3.5%
- Planning and Development, $2.8 million - 2.0%
- General Government, $4.9 million - 3.5%

EXHIBIT 4

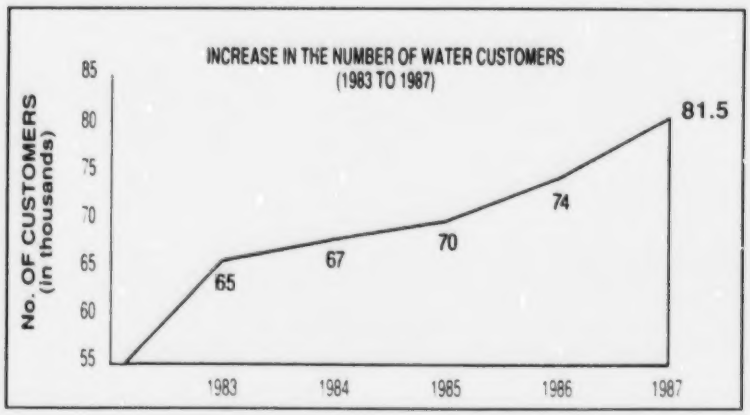


Waterworks and Sanitary Sewage Operation

A major responsibility of the Region of Durham is the administration, operation and maintenance of the water supply and sanitary sewage systems.

Revenues required to finance these Regional functions are raised mainly from Region-wide uniform user fees. The water and sewer revenues and expenditures are monitored very closely during the year to ensure that these specialized operations are financially viable. The 1986 operation of the **waterworks system** resulted in a surplus of $0.7 million due to an increase in revenues from the sale of water and service charges exceeding the amount projected. The customer growth and large increases in water consumption, especially by the industrial and commercial sectors, continued in 1987 and helped to produce a 1987 surplus in the water operation of $0.8 million. The dynamic growth experienced by the Region is demonstrated by the increase in the number of water customers as shown in Exhibit 5.

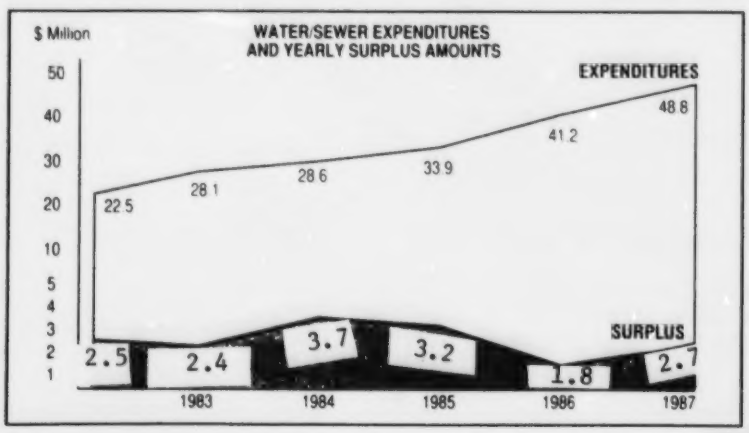
EXHIBIT 5



Similarly, the 1987 operation for the **sanitary sewage system** resulted in a surplus of $1.9 million. As with the water operation, the direct billing revenues exceeded the amount projected, mainly as a result of the high growth rate in Durham during the year.

Exhibit 6 indicates the total amount spent on water and sewer operations and the surplus generated for the years 1983 to 1987. This chart reveals the financially sound condition of the water & sewer operations.

EXHIBIT 6



The water and sewage operations within Durham are examined annually to ensure their financial stability and viability. In 1987, as in previous years, a tri-department study group, consisting of staff from the Works, Planning and Finance Departments, reviewed the financing and servicing of the Waterworks and Sanitary Sewage Systems. In addition, the water and sewer rates and rate structures were examined in detail to ensure that:

- the water and sewer rates are adequate and the rate structures are appropriate;
- the financial resources available to the water supply and sanitary sewage systems in the form of user revenues, development charge levies and other revenues are sufficient to meet anticipated expenditures; and
- the water and sanitary sewage systems are self-supporting and financially managed in the most efficient manner consistent with the needs of the ratepayers in Durham.

As a result of the 1986 study, the 1987 Regional water and sewer user rates were increased by 4.0% in order to provide the necessary financing for the water and sewer operations. Similarly, the 1987 study made a recommendation, which was adopted by Regional Council that the water/sewer rates be increased by 5.0% in 1988 to stay in line with anticipated inflation and capital from current spending patterns.

In addition, Regional Council adopted the 1987 water and sanitary sewer services capital budget which contained no provision for debenture financing of the Region's share of 1987 capital projects. This is a continuation of the Region of Durham's policy to finance capital spending from current operations. Over the past five years, approximately $31 million has been expended from current operations to finance water/sewer capital projects.

Durham will continue to monitor and review the costs and financing of the water and sewer operations annually to ensure efficiently managed and financially sound systems which will allow for future growth and yet not impose an undue financial burden on the users of these systems.

Waste Disposal

The waste disposal operation also undergoes an extensive Works - Finance joint departmental review each year to ensure adequate financing and servicing.

In 1987, the waste disposal operation experienced a small surplus of approximately $0.1 million.

At present, the waste disposal operations of the Region encompass four landfill sites and three municipal transfer stations for residential refuse. In addition, the Region has an agreement with Metropolitan Toronto to utilize the Brock West Landfill Site operated by Metro Toronto and located in Pickering where the majority of the Region's solid waste is currently disposed.

The Brock West Landfill Site is scheduled to close in 1990 and the Region is currently in the process of seeking alternative landfill sites, as well as pursuing other avenues for waste

reduction, recycling and reuse. A fundamental consideration in developing a strategic plan for waste management has been the Region's involvement with the Metropolitan Toronto Solid Waste Environmental Assessment Plan (S.W.E.A.P.).

In light of the importance of waste reduction upon future landfill capacity, the Region has undertaken a curbside collection program for the recycling of residential multi-materials in all urban areas. This program includes 1987/88 capital expenditures of $1.7 million and a 1988 operating budget of about $0.9 million. The recycling operating program is funded through a combination of grants and subsidies from the Ministry of the Environment and the Ontario Multi-Material Recycling Inc., as well as user fees charged to area municipalities for use of the recycling facility.

Metropolitan Toronto has recently increased the user rate fee at the Brock West Landfill Site from $18.07 per tonne to $50.00 per tonne for all refuse, effective May 1, 1988 ($7.8 million in 1988). However, Metropolitan Toronto has agreed to pay a rebate to the Region for all residentially generated waste ($1.8 million in 1988). In addition, an agreement between the Region and Metropolitan Toronto provides for the payment of a royalty to the Region based upon usage ($1.5 million in 1988) until the site is closed. These funds will assist in the financing of future costs associated with the solid waste operations including site selection and waste reduction initiatives. Therefore, while the gross expenditures for solid waste are estimated to increase dramatically in 1988, the net expenditures or contribution from the general fund tax levy is projected to decrease from the $1.3 million contribution in 1987.

Reserves and Reserve Funds

Financing capital expenditures from sources other than long-term borrowing continues to be a very significant and integral aspect of the overall financing of major capital projects.

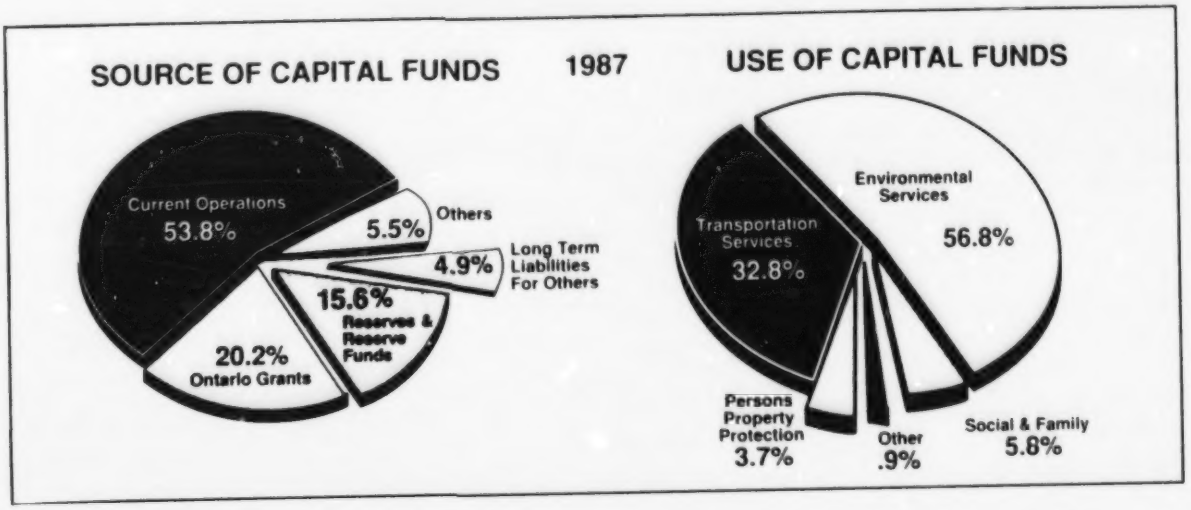
In 1987, $14.2 million ($9.4 million in 1986) was transferred to revenue funds from reserves and reserve funds to finance capital expenditures and debenture debt charges related to new residential growth. This reflects Regional Council's desire to pay, whenever possible, for capital expenditure relating to new residential growth from these funds which are collected mainly from residential developers for this purpose.

Reserves and reserve fund balances at the end of 1987 are $43.5 million. This is an increase of $4.3 million from 1986 and reflects the high rate of development taking place in Durham. Developers' lot levy contributions increased from a record high of $13.4 million in 1986 to $15.3 million in 1987. By prudent investment of these funds throughout the year, approximately $3.4 million in interest income was earned from the invested proceeds of the reserve funds. This income remains in the reserve funds to be applied against future capital requirements for residential purposes.

Capital Operations

The Finance Committee, a Standing Committee of Regional Council, and the Council itself, carefully scrutinize all funding of

EXHIBIT 7

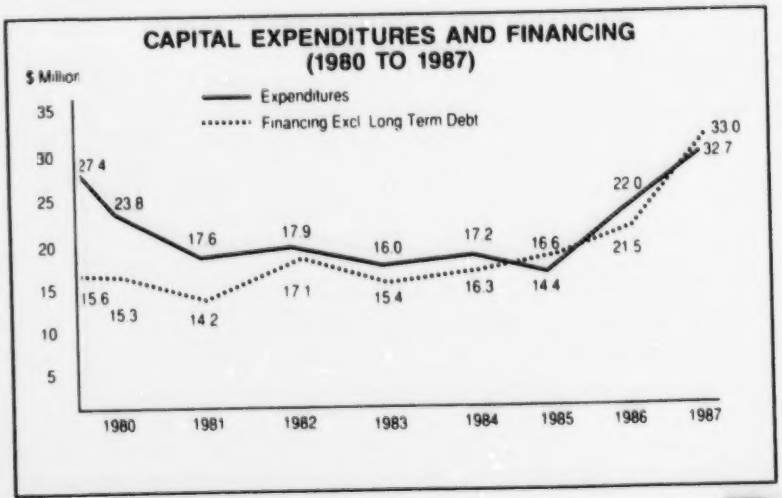


capital operations to ensure financing of as much capital expenditure from current revenues as practical, thereby maintaining the Region's established "pay-as-you-go" policy. In 1987, Durham spent $32.7 million on capital expenditure ($22.0 million in 1986). Source of Capital Funds in 1987 was provided from current operations ($18.6 million), Provincial grants ($7.0 million), Long term liabilities incurred by the Region for others ($1.7 million) and other sources including Reserves and Reserve Funds ($7.3 million).

A summary of the 1987 capital operation is included in Exhibit 7.

Exhibit 8 highlights Regional Council's "pay-as-you-go" capital spending policy over the years with approximately $207 million of capital expenditure financed from current operations and sources other than long term debt since the inception of the Region in 1974. This represents 75% of the funding of the total capital expenditures incurred from 1974 to 1987 inclusive.

EXHIBIT 8



In summary, the effectiveness of short-term and long-term financial planning and control has allowed the Region to increase expenditures to meet the ever increasing service demands due to growth, while at the same time, maintain modest tax and user rate increases. Moreover, the consistent growth compounded by low debt levels which in turn results from an aggressive "pay-as-you-go" capital program, reinforces the financial strength and stability of the Region. This opinion was confirmed in a credit report issued in early 1988 by Moody's Investors Services Inc., of New York who recently reconfirmed their Triple A (Aaa) rating of debentures issued in early 1988 by the Region of Durham on behalf of other local government entities in the area. (The Triple A rating is the highest rating used by bond rating firms such as Moody's.) This reinforces the confidence in Durham shown by the investment community and exemplifies Durham's financially sound outlook for the future.

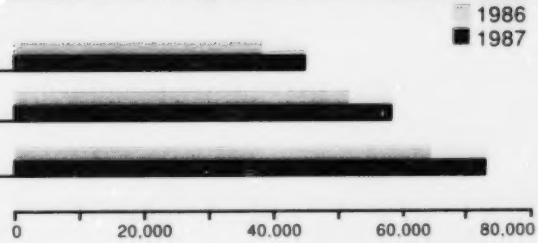
Respectfully submitted,

J.L. Gartley, CMA.
Commissioner of Finance

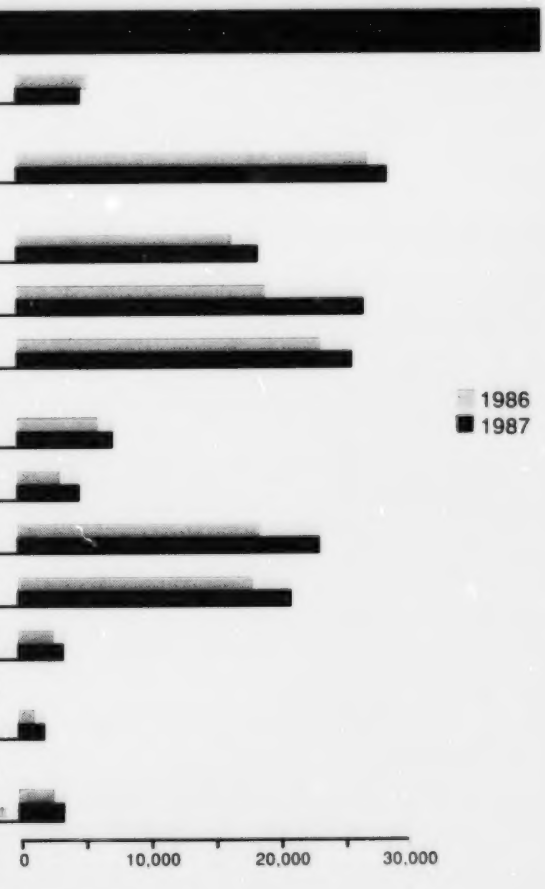
Comparison of Consolidated Revenues and Expenditures

(All amounts in thousands of dollars)

REVENUE	1987	1986
REQUISITION General Regional	**46,395**	39,254
ONTARIO GRANTS	**59,711**	51,332
OTHER- (mainly user service charges)	**73,282**	61,990
TOTAL REVENUE	**179,388**	152,576



EXPENDITURE	1987	1986
GENERAL GOVERNMENT	**5,064**	5,208
PROTECTION TO PERSONS AND PROPERTY	**29,566**	27,662
TRANSPORTATION SERVICES	**18,751**	15,601
WATERWORKS	**26,852**	19,422
SANITARY SEWERS	**25,179**	23,762
OTHER ENVIRONMENTAL SERVICES	**8,504**	5,937
HEALTH SERVICES	**4,825**	4,355
SOCIAL SERVICES	**23,999**	19,367
SENIOR CITIZENS	**21,051**	18,059
DAY NURSERIES	**3,686**	2,958
FAMILY & CHILDREN'S SERVICES	**1,381**	1,187
PLANNING & DEVELOPMENT	**3,154**	2,783
TOTAL EXPENDITURE	**172,012**	146,301



6 Year Financial Review

(All dollar amounts are in thousands of dollars, except per capita figures)		1987	1986	1985	1984	1983	1982
1)	Population at the end of the year	340,570	324,695	314,238	298,725	293,507	288,153
2)	Area in hectares at the end of the year	246,587	246,587	246,587	246,587	246,587	246,587
3)	Employees - continuous full time	1,843	1,730	1,628	1,637	1,601	1,582
4)	Number of households	122,056	114,296	108,905	105,848	102,635	99,126
5)	Revenue Fund Financing						
	Requisition on area municipalities	$46,395	$39,254	$34,372	$31,820	$29,777	$27,645
	Ontario grants	52,712	46,918	43,424	42,069	40,597	36,441
	Other (mainly user service charges)	48,781	42,551	39,390	35,691	32,659	27,223
		$147,888	$128,723	$117,186	$109,580	$103,033	$91,309
6)	Revenue Fund Expenditure						
	General municipal	$138,853	$124,081	$111,341	$104,300	$96,709	$87,066
7)	Net long term liabilities						
	General municipal activities	$1,952	$2,805	$3,427	$4,056	$4,645	$5,277
	- per capita	$5.73	$8.64	$11.00	$13.58	$15.83	$18.31
	Sanitary Sewage	$20,478	$25,236	$31,581	$33,582	$33,599	$34,527
	Waterworks	$23,262	$27,417	$35,601	$37,296	$38,244	$39,183
	Waste disposal	$656	$886	$1,015	$1,128	$1,253	$1,366
	Industrial land	-	$300	$900	$1,360	$1,700	$1,700
8)	Charges for net long term liabilities						
	General municipal activities	$1,197	$1,069	$1,144	$1,137	$1,315	$993
	- per capita	$3.51	$3.29	$3.64	$3.81	$4.48	$3.45
9)	Capital financing during the year						
	Contributions from own funds	$24,029	$15,346	$11,570	$10,635	$8,708	$5,835
	Long term liabilities incurred	1,693	-	-	1,639	1,451	7,505
	Ontario grants	6,999	4,413	2,790	3,113	4,423	5,588
	Federal grants	1,240	831	185	290	-	-
	Other	683	880	2,079	2,300	2,280	5,700
		$34,644	$21,470	$16,624	$17,977	$16,862	$24,628
10)	Capital expenditure during the year	$32,655	$22,049	$14,362	$17,168	$16,004	$17,926
11)	Revenue Fund Balance	$4,910	$3,776	$3,573	$5,244	$4,842	$3,883
12)	Reserves and reserve funds	$43,469	$39,217	$32,014	$26,291	$22,751	$20,619

Auditors' Report & Financial Statements

Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Regional Municipality of Durham:

We have examined the consolidated balance sheet of the Corporation of the Regional Municipality of Durham as at December 31, 1987 and the consolidated statement of operations for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation of the Regional Municipality of Durham as at December 31, 1987 and the results of its operations for the year then ended in accordance with accounting principles disclosed in Note 2 to the financial statements applied on a basis consistent with that of the preceding year except as explained in Note 13 to the financial statements.

Deloitte Haskins & Sells

Deloitte, Haskins & Sells
Chartered Accountants

March 31, 1988
Licence No. 1113

Consolidated Balance Sheet

as at December 31, 1987

	1987 $	1986 $
ASSETS		
Unrestricted:		
Cash and short-term investments	19,782,231	12,804,929
Accounts receivable (net of allowance for doubtful accounts of $280,000 - 1987 and 1986)	23,798,816	21,606,645
Other current assets (Note 3)	3,487,620	3,035,386
	47,068,667	37,446,960
Restricted: (Note 7)		
Cash and short-term investments	35,782,537	30,039,107
Accounts receivable	28,186	26,430
Investment in own debentures	1,369,212	1,937,153
Other	-	164,817
	37,179,935	32,167,507
Capital outlay financed by long-term liabilities and to be recovered in future years (Notes 2 and 4)	46,347,438	56,643,844
	130,596,040	126,258,311
LIABILITIES		
Accounts payable and accrued liabilities (Note 13)	19,709,301	13,886,829
Current portion of Ontario Housing Action Program loans	5,474,333	6,763,800
Other current liabilities and deferred revenue	4,781,149	2,055,276
	29,964,783	22,705,905
Net long-term liabilities (Note 5)	46,347,438	56,643,844
FUND BALANCES AT END OF THE YEAR (Note 13)		
To be used to offset (or to be recovered from taxation or user charges in 1988)		
- General Revenue	1,917,625	1,870,175
- Waterworks System	765,239	733,042
- Sanitary Sewage System	1,871,038	1,063,962
- Waste Disposal System	112,777	(77,441)
- Environmental Inspections	243,629	186,212
	4,910,308	3,775,950
Unexpended Capital Financing	5,904,152	3,915,158
Reserves (Note 6)	6,289,424	7,049,947
Reserve funds (Notes 7 and 12)	37,179,935	32,167,507
	54,283,819	46,908,562
	130,596,040	126,258,311

The accompanying notes are an integral part of these financial statements

Consolidated Statement of Operations

for the year ended December 31, 1987

	1987 Actual $	1986 Actual $
SOURCES OF FINANCING (Schedule 1)		
Requisition on Area Municipalities	46,395,273	39,253,942
User charges - Water and Sewer	33,730,971	29,461,172
Other user charges	13,745,760	11,795,856
Grants		
- Government of Canada	1,285,440	831,452
- Province of Ontario	59,710,718	51,331,647
Contribution from developers	16,777,536	13,421,125
Other	6,049,172	6,480,805
	177,694,870	152,575,999
Proceeds from Issue of Long-term Liabilities	1,692,761	-
EXPENDITURES (Notes 2,8,9,10,11 and 13) (Schedule 1)		
General government	5,063,933	5,207,563
Protection to persons and property	29,565,718	27,662,484
Transportation services	18,751,058	15,601,245
Environmental services	60,534,816	49,121,016
Health services	4,825,302	4,354,765
Social and family services	50,116,946	41,571,135
Planning and development	3,154,601	2,782,946
	172,012,374	146,301,154
EXCESS OF FINANCING OVER EXPENDITURES	7,375,257	6,274,845
FUND BALANCES, BEGINNING OF YEAR	46,908,562	40,633,717
FUND BALANCES, END OF YEAR	54,283,819	46,908,562

The accompanying notes are an integral part of these financial statements

Notes to Financial Statements

December 31, 1987

1) MUNICIPAL STRUCTURE

The Regional Municipality of Durham came into existence on October 15, 1973 and assumed its responsibilities on January 1, 1974, under the authority of the Regional Municipality of Durham Act, 1973.

The Region comprises the following Area Municipalities:

City of Oshawa
Town of Ajax
Town of Newcastle
Town of Pickering
Town of Whitby
Township of Brock
Township of Scugog
Township of Uxbridge

and is responsible for services within these Area Municipalities related to the following:

- Financial, including all debt issues.
- Protection to persons and property, including Police, Conservation Authorities, Emergency Planning and Fire Co-ordination.
- Transportation Services, including all Regional Roadways and Traffic Control.
- Environmental Services, including Waterworks System, Sanitary Sewer System, Regional Storm Sewer System and Waste Disposal.
- Health Services, including Public Health Services and Inspections.
- Social and Family Services, including General Assistance, Homes for the Aged and Day Nurseries.
- Planning, including official plan administration.
- Industrial Development and Promotion.

2) SUMMARY OF ACCOUNTING PRINCIPLES

a) Basis of Consolidation:

(i) Consolidated Balance Sheet

This statement reflects the assets and liabilities of the revenue fund, reserve funds, the capital fund and the Board of Commissioners of Police.

(ii) Consolidated Statement of Operations

This statement reflects the consolidated sources of financing and expenditures of the revenue fund, reserves, reserve funds and the capital fund of the municipality, including the activities of the Board of Commissioners of Police.

Notes to Financial Statements

December 31, 1987

2) **SUMMARY OF ACCOUNTING PRINCIPLES** (continued)

a) Basis of Consolidation: (continued)

(iii) Trust Funds and Sinking Fund

The trust funds and sinking fund administered by the municipality are not included in these consolidated financial statements. The "Net long-term liabilities and capital outlay to be recovered in future years" on the "Consolidated Balance Sheet" have been reduced by an amount equal to the sinking fund administered by the municipality. The Trust Funds and the Sinking Fund financial statements are disclosed separately.

b) Basis of Accounting:

(i) Accrual Basis of Accounting

Expenditures and their related sources of financing are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Fixed Assets

The historical cost and accumulated depreciation of fixed assets are not reported for municipal purposes. Fixed assets are reported as an expenditure on the Consolidated Statement of Operations in the year of acquisition.

(iii) Capital Outlay to be Recovered in Future Years

"Capital outlay to be recovered in future years," which represents the outstanding principal portion of long-term liabilities for municipal expenditures or capital funds transferred to other organizations, is reported on the "Consolidated Balance Sheet".

(iv) Inventories of Supplies

Inventories of supplies are valued at cost on the first-in, first-out basis.

3) **OTHER CURRENT ASSETS**

	1987	1986
Inventory	$1,511,226	$1,335,345
Prepaid Expenses	1,951,694	1,675,341
Other	24,700	24,700
	$3,487,620	$3,035,386

Notes to Financial Statements

December 31, 1987

4) CAPITAL OUTLAY TO BE RECOVERED IN FUTURE YEARS

Certain capital outlay will be recovered in future years from the following sources:

	1987	1986
General activities	**$1,938,052**	$ 3,069,371
Special charges on benefitting landowners	**2,974,997**	1,408,715
Sanitary sewage operation	**18,695,276**	24,378,763
Waterworks operation	**22,083,526**	26,900,751
Waste disposal operation	**655,587**	886,244
	$46,347,438	$56,643,844

5) NET LONG-TERM LIABILITIES

The balance of net long-term liabilities reported on the Consolidated Balance Sheet is made up of the following:

	1987	1986
Total long-term liabilities incurred by the Region (including the former County of Ontario) and outstanding at the end of the year amount to	**$60,590,414**	$66,864,266
In addition, the Region has assumed responsibility for the payment of principal and interest charges on certain long-term liabilities issued by other municipalities. At the end of the year, the principal amount of this liability is	**2,994,643**	4,956,652
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges has been assumed:		
- by other muncipalities and independent boards for a principal amount of	**(16,401,901)**	(14,168,194)
- by the Province of Ontario for the York/Durham Sewage System	**(280,148)**	(328,816)
The total value of the Sinking Fund and the balance in the Ministry of the Environment Debt Retirement Fund which has been accumulated to the end of the year to retire outstanding long-term liabilities included above, amount to	**(555,570)**	(680,064)
Net long-term liabilities at the end of the year	**$46,347,438**	$56,643,844

Approval of the Ontario Municipal Board has been obtained for these long-term liabilities.

Notes to Financial Statements

December 31, 1987

5) **NET LONG-TERM LIABILITIES** (continued)

The net long-term liabilities will be charged to operations as follows:

	1988	1989	1990	1991 to 1995	1996 and Thereafter
	$	$	$	$	$
Waterworks Operation	4,285,563	3,921,406	3,275,997	9,267,453	2,511,588
Sanitary Sewage Operation	4,980,542	4,853,734	4,253,270	5,908,601	481,648
Police	303,203	286,537	187,510	99,050	-
Roads and Storm Sewers	50,880	23,852	9,614	-	-
Homes for the Aged	183,616	209,043	196,721	376,158	25,865
Waste Disposal	123,565	137,772	159,000	235,250	-
	9,927,369	9,432,344	8,082,112	15,886,512	3,019,101

Included in "Net long-term liabilities" on the "Consolidated Balance Sheet" are the following:

a) An amount of $14,247,181 payable in United States dollars, which was converted into Canadian dollars at the rate of exchange prevailing when the liability was incurred. If the liability is converted into Canadian dollars at the exchange rate prevailing at December 31, 1987, the liability would be increased by $2,165,307 (1986 - $3,552,919).

A Foreign Exchange Reserve Fund in the amount of $600,085 (1986 - $396,573) has been established to provide for this liability and is reflected on the "Consolidated Balance Sheet". An amount of $169,753 (1986 - $82,606) has been provided for in the current year and is reported on the "Consolidated Statement of Operations".

b) An amount of $22,271,594 in Ontario Housing Action Program loans, which assist in financing the installation of trunk water and sanitary sewer systems within the Region. Such loan amounts are interest-free and are repayable in accordance with formulae related to the registration of plans of subdivisions in the Towns of Ajax, Pickering, Newcastle, Whitby and the City of Oshawa, on which the Region of Durham can collect development charge levies.

6. **RESERVES**

The reserves are comprised of the following:

	1987	1986
Working capital	**$1,763,715**	$1,708,198
Equipment replacement	**1,278,341**	1,230,420
Contingencies	**400,000**	400,000
Sick leave	**969,492**	832,764
Capital construction	**1,187,630**	1,677,427
Debenture repayment - sewage	**690,246**	1,201,138
	$6,289,424	$7,049,947

Notes to Financial Statements

December 31, 1987

7) RESERVE FUNDS

The reserve funds are comprised of the following:

	1987	1986
Development Charge Levies - General Purposes	**$1,124,248**	$1,036,053
Development Charge Levies - Roads	**3,744,598**	2,316,289
Development Charge Levies - Sanitary Sewage	**9,755,717**	7,866,096
Development Charge Levies - Waterworks	**6,382,546**	7,327,787
Development Charge Levies - Fixed Charges	**1,689,108**	1,996,060
Regional Share of Sanitary Sewage Works	**3,883,664**	2,212,977
Regional Share of Waterworks	**2,786,766**	3,390,058
Rate Stabilization - Sewage	**85,752**	79,026
Rate Stabilization - Waterworks	**446,209**	411,207
Regional Share of Non-Residential Development:		
- Sewage	**202,933**	-
- Waterworks	**202,933**	-
911 Emergency Telephone System	**279,033**	-
Regional Headquarters Building	**101,466**	-
Waste Disposal Sites	**279,033**	-
Industrial Land	**351,516**	649,787
Roads Property Acquisition	**297,231**	212,290
Foreign Exchange	**600,085**	396,573
Ministry of the Environment	**-**	164,817
Solid Waste Disposal	**36,961**	43,798
Insurance	**2,021,089**	1,377,888
Brooklin Development	**2,909,047**	2,686,801
	$37,179,935	$32,167,507

8) PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 2,043 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 1987 was $3,286,333 (1986-$2,951,496) for current service and is included as an expenditure on the "Consolidated Statement of Operations".

In addition, the Region maintains with OMERS a supplementary pension plan for the Regional Police Department. At December 31, 1987 the Region's calculation placed the liability for the unfunded past-service portion of this pension to be $458,312. No provision has been made for this liability in the financial statements. However, this amount will be amortized and charged to Police expenditures in equal amounts of $9,232 per month with the final installment due in December 1992.

Notes to Financial Statements

December 31, 1987

9) LIABILITY FOR VESTED SICK LEAVE BENEFITS

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the municipality's employment.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by employees on terminating, amounted to approximately $10,884,000 at the end of the year (1986 - $10,125,000). A provision for sick leave reserve in the amount of $969,492 (1986 - $832,764) has been made for this liability and is reflected on the "Consolidated Balance Sheet". An amount of $136,728 (1986 - $121,363) has been provided for in the current year and is reported on the "Consolidated Statement of Operations".

10) CHARGES FOR NET LONG-TERM LIABILITIES

Total charges for the year for net long term liabilities which are reported on the"Consolidated Statement of Operations" are as follows:

	1987	1986
- Principal payments, including contributions to the Sinking fund and to the Ministry of the Environment Debt Retirement fund	**$11,875,579**	$10,924,094
- Interest	**3,595,285**	4,394,290
	$15,470,864	$15,318,384

Of the total 1987 charges shown above, $1,197,340 was paid from general municipal revenues of the municipality, $5,973,745 was recovered from the waterworks operation, $7,604,781 from the sanitary sewage operation, $364,998 from the waste disposal operation and $330,000 is recovered from industrial land sales. These amounts are included on the "Consolidated Statement of Operations" classified under the appropriate functional expenditure headings.

11) CONTRACTUAL OBLIGATIONS

a) SANITARY SEWAGE SYSTEMS

The Region has entered into an agreement with the Province of Ontario and the Regional Municipality of York whereby the Province will provide sanitary sewage services to portions of the Regions of Durham and York. Under this agreement, the Province will construct and finance sewage plant facilities, and charge the Regions for the capital and operating costs of the facilities based on a sewage service rate. The sewage service rates for the years 1987-1988 are as follows:

1987 - 133¢ per thousand gallons
1988 - 136¢ per thousand gallons

Notes to Financial Statements

December 31, 1987

11) **CONTRACTUAL OBLIGATIONS** (continued)

a) SANITARY SEWAGE SYSTEMS (continued)

In addition, under the Regional Municipality of Durham Act, 1973, the Region has assumed the responsibility for the payment of sanitary sewage operating costs from the former local municipalities in agreements with the Ontario Water Resources Commission and Ministry of the Environment. The average sanitary sewage service rate for the five sewage systems was 65¢ per thousand gallons in 1987.

b) LEASE COMMITMENT

The Region has commitments under various building lease agreements expiring in 1988 to 1995. These leases require an annual rental expense of approximately $580,000.

12) **CONTINGENT LIABILITIES**

a) Brooklin Development

In 1984, the Region of Durham cashed certain letters of credit which were held as security to be drawn upon for application by the Region towards the cost of providing sewage works and/or additions or alterations to the existing water supply system within or to the Brooklin area. Subsequent to the cashing of the letters of credit, the developer initiated litigation proceedings against the Region in the amount of $3.1 million which includes $1 million for punitive damages.

The Region believes that the above claim will not be successful.

b) Regional Headquarters Property

In 1988, the City of Oshawa initiated legal proceedings against the Region of Durham claiming a percentage ownership in the Regional Headquarters building which arose prior to the formation of the Region. In addition, the City is claiming a share of net rental revenues received.

The disposition of this claim is not determinable at the present time.

13) **CHANGES IN ACCOUNTING POLICIES**

Accrued Principal on Net Long-Term Liabilities

The principal amount of the debenture debt has been expensed on an accrual basis in 1987. In past years, the principal portion of the debenture debt was charged to operations in the year paid. The effect of the accrual of the principal portion of the debenture debt on the "Consolidated Statement of Operations" was to increase expenditures by $1,933,000 and to reduce fund balances at the end of the year by a similar amount. Prior year's figures have not been restated to reflect the change in accounting policy.

Notes to Financial Statements

December 31, 1987

14) **BUDGET FIGURES**

Budgets established for Capital funds, Reserves and Reserve Funds are based on a project-oriented basis, the costs of which may be carried out over one or more years. As such, they are not directly comparable with current year actual amounts. Therefore the budgets have not been reflected on the "Consolidated Statement of Operations".

Supporting Schedules

Schedule 1
Schedule of Consolidated Operations

for the year ended December 31, 1987

	Revenue Fund		Capital Fund	Reserves and Reserve Funds	1987 Total
	Budget	Actual	Actual	Actual	Actual
	$	$	$	$	$
SOURCES OF FINANCING					
Requisition on Area Municipalities	44,321,537	46,395,273	-	-	**46,395,273**
User Charges - Water and Sewer	30,728,617	33,730,971	-	-	**33,730,971**
Other User Charges	12,170,964	13,745,760	-	-	**13,745,760**
Grants					
– Government of Canada	22,600	45,041	1,240,399	-	**1,285,440**
– Province of Ontario	51,586,541	52,712,209	6,998,509	-	**59,710,718**
Contribution from developers	-	-	1,439,985	15,337,551	**16,777,536**
Other	794,784	1,258,984	683,094	4,107,094	**6,049,172**
	139,625,043	147,888,238	10,361,987	19,444,645	**177,694,870**
Proceeds from the Issue of Long-Term Liabilities	-	-	1,692,761	-	**1,692,761**
EXPENDITURES					
General government	4,576,254	4,838,612	184,673	40,648	**5,063,933**
Protection to persons & property	28,258,877	28,201,913	1,194,573	169,232	**29,565,718**
Transportation services	8,165,035	8,025,675	10,725,383	-	**18,751,058**
Environmental services	39,460,829	41,989,709	18,545,107	-	**60,534,816**
Health services	4,978,042	4,786,984	38,318	-	**4,825,302**
Social and family services	46,769,460	48,207,204	1,909,742	-	**50,116,946**
Planning and development	2,803,938	2,802,967	56,721	294,913	**3,154,601**
	135,012,435	138,853,064	32,654,517	504,793	**172,012,374**
EXCESS OF FINANCING OVER EXPENDITURES	4,612,608	9,035,174	(20,599,769)	18,939,852	**7,375,257**
APPROPRIATIONS					
Net appropriations between funds	(8,172,608)	(7,900,816)	22,588,763	(14,687,947)	-
FUND BALANCES, BEGINNING OF YEAR	3,560,000	3,775,950	3,915,158	39,217,454	**46,908,562**
FUND BALANCES, END OF YEAR	-	4,910,308	5,904,152	43,469,359	**54,283,819**

Schedule 2
Summary Schedule of Continuity of Reserve Funds

for the year ended December 31, 1987

	1987 $	1986 $
Balance, beginning of year	**32,167,507**	25,939,362
Revenue:		
Interest on investments	**3,405,806**	2,974,077
Development charge levies	**15,337,550**	12,023,216
Contributions from the revenue fund	**2,730,000**	942,285
Other	**678,391**	1,284,449
Total revenue	**22,151,747**	17,224,027
Expenditure:		
Debt charges and capital expenditures		
– general activities	**2,273,035**	1,430,000
– sanitary sewage operation	**3,632,017**	3,593,900
– waterworks operation	**7,198,146**	3,694,063
– waste disposal operation	**10,567**	43,267
	13,113,765	8,761,230
Contributions to capital fund	**3,547,979**	2,063,556
Other	**477,575**	171,096
Total expenditure	**17,139,319**	10,995,882
Balance, end of year	**37,179,935**	32,167,507

Schedule 3
Continuity of Reserve Funds
for the year ended December 31, 1987

	Development Charge Levies					Roads Property Acquisition $	Foreign Exchange $	Ministry of the Environment $	Solid Waste Disposal $	Insurance $	Brooklin Development $	Police Stations $	911 Emergency Telephone System $	Regional Headquarters Building $	Waste Disposal Site $	Total $
	General Purpose $	Roads $	Sewage (Sched.4) $	Waterworks (Sched.5) $	Fixed Charges $	Industrial Land $										
Balance, beginning of year	1,036,053	2,316,299	10,158,099	11,129,052	1,996,060	649,787	212,290	396,573	164,617	43,798	1,377,888	2,686,601				32,167,507
Revenue:																
Interest on investments	88,195	287,590	1,264,216	1,137,406	143,796	45,456	20,039	33,759	16,471	3,730	133,370	222,246		4,033	1,466	4,033	3,405,806
Development charge levies		3,083,754	6,655,333	5,546,918	51,546						649,247						15,337,550
Contribution from revenue fund			440,000	371,000		281,186	78,332	169,753			29,816		450,000	275,000	100,000	275,000	2,730,000
Other			150,122	138,936													678,391
Total Revenue	88,195	3,371,344	8,509,671	7,194,259	195,341	326,642	98,371	203,512	16,471	3,730	812,433	222,246	450,000	279,033	101,466	279,033	22,151,747
Expenditure:																
Debt charges and capital expenditure																
– general activities		1,943,035				330,000				10,567							2,283,602
– sewer/water operations			3,519,517	6,904,358	225,000				181,288								10,830,163
Contribution to capital fund			1,220,187	1,600,499	277,293						168,232		450,000				3,547,979
Other						294,913	13,430										477,575
Total Expenditure		1,943,035	4,739,704	8,504,857	502,293	624,913	13,430		181,288	10,567	168,232		450,000				17,139,319
Balance, end of year	1,124,248	3,744,598	13,928,066	9,818,454	1,689,108	351,516	297,231	600,085		36,961	2,021,089	2,908,847		279,033	101,466	279,033	37,179,935

Schedule 4
Sewage Reserve Funds
for the year ended December 31, 1987

	Rate Stabilization $	City of Oshawa Sewers/Sewage Treatment $	Development Charge Levies $	Regional Share of Sewage Works $	Regional Share of Non Residential Development $	Total $
Balance, beginning of year	79,026	26,430	7,839,666	2,212,977	-	10,158,099
Revenue:						
Interest on investments	6,726	1,756	1,055,048	197,753	2,933	1,264,216
Development charge levies	-	-	5,905,281	750,052	-	6,655,333
Contribution from revenue fund	-	-	-	240,000	200,000	440,000
Transfer between reserve funds	-	-	(1,500,000)	1,500,000	-	-
Other	-	-	-	150,122	-	150,122
Total Revenue	6,726	1,756	5,460,329	2,837,927	202,933	8,509,671
Expenditure:						
Debt charges and capital expenditure – sanitary sewage operation	-	-	3,519,517	-	-	3,519,517
Contribution to capital fund	-	-	52,947	1,167,240	-	1,220,187
Total Expenditure	-	-	3,572,464	1,167,240	-	4,739,704
Balance, end of year	85,752	28,186	9,727,531	3,883,664	202,933	13,928,066

Schedule 5
Water Reserve Funds
for the year ended December 31, 1987

	Rate Stabilization $	Development Charge Levies $	Regional Share of Waterworks $	Regional Share of Non-Residential Development $	Total $
Balance, beginning of year	411,207	7,327,787	3,390,058	-	11,129,052
Revenue:					
Interest on investments	35,002	846,067	253,404	2,933	1,137,406
Development charge levies	-	5,113,050	433,868	-	5,546,918
Contribution from revenue fund	-	-	171,000	200,000	371,000
Other	-	-	138,935	-	138,935
Total Revenue	35,002	5,959,117	997,207	202,933	7,194,259
Expenditure:					
Debt charges and capital expenditure – waterworks operation	-	6,904,358	-	-	6,904,358
Contribution to capital fund	-	-	1,600,499	-	1,600,499
Total Expenditure	-	6,904,358	1,600,499	-	8,504,857
Balance, end of year	446,209	6,382,546	2,786,766	202,933	9,818,454

Sinking Fund Auditors' Report And Financial Statements

Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Regional Municipality of Durham:

We have examined the balance sheet of the sinking fund of the Corporation of the Regional Municipality of Durham as at December 31, 1987 and the sinking fund statement of continuity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the sinking fund of the Corporation of the Regional Municipality of Durham as at December 31, 1987 and the continuity of sinking fund for the year then ended in accordance with accounting principles disclosed in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells

Deloitte, Haskins & Sells
Chartered Accountants

March 31, 1988
Licence No. 1113

Sinking Fund

STATEMENT OF CONTINUITY
for the year ended December 31, 1987

	Debt Retirement Fund	
	1987 $	1986 $
Balance, beginning of year	137,203	97,791
Contribution from the waterworks operation	30,243	30,243
Interest earned	54,652	53,851
	84,895	84,094
Actuarial requirement for the year	46,916	44,682
Balance, end of year	175,182	137,203

BALANCE SHEET
as at December 31, 1987

	Debt Retirement Fund	
	1987 $	1986 $
Assets		
Investments - at amortized cost (market value $560,508 - 1987; $503,232 - 1986)	555,570	470,675
Liability		
Actuarial requirement for retirement of debenture	380,388	333,472
Fund Balance	175,182	137,203
	555,570	470,675

NOTES TO SINKING FUND FINANCIAL STATEMENTS - DECEMBER 31, 1987

1) Investments
All investments are purchased with the intention of holding them until maturity and are recorded at cost price adjusted annually for amortization of discount or premium on the straight-line basis as determined at the date of purchase with the amount of such amortization included in the interest earned on the "Statement of Continuity".

2) Actuarial Requirements
The actuarial requirements of the sinking fund represent the amounts levied during the year as set out in the sinking fund debenture by-law plus interest thereon capitalized at a rate of 5% per annum compounded annually. Any excess revenue over these requirements is included in the sinking fund balance.

Trust Fund Auditors' Report And Financial Statements

Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Regional Municipality of Durham:

We have examined the balance sheet of the trust funds of the Corporation of the Regional Municipality of Durham as at December 31, 1987 and the statement of continuity of trust funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances, except as explained in the following paragraph.

In common with many funds of a similar nature, the Region derives the majority of its trust fund capital receipts in the form of contributions on behalf of the residents of the Homes for the Aged which are not susceptible to complete audit verification. Accordingly, our verification of revenue from this source was limited to accounting for the amounts recorded in the records of the trust funds.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had capital receipts on behalf of the residents been susceptible to complete audit verification, these financial statements present fairly the financial position of the trust funds of the Corporation of the Regional Municipality of Durham as at December 31, 1987 and the continuity of trust funds for the year then ended in accordance with accounting principles disclosed in the Note to the financial statements applied on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells

Deloitte, Haskins & Sells
Chartered Accountants

March 31, 1988
Licence No. 1113

Trust Funds

STATEMENT OF CONTINUITY
for the year ended December 31, 1987

	Total	Homes for the Aged			Campbell	Social
		Residents	Donations	Bequests	Bequests	Services
	$	$	$	$	$	$
Balance, beginning of year	1,407,803	952,151	73,381	374,539	6,299	1,433
Capital receipts on behalf of:						
Residents	675,494	655,521	19,973	-	-	-
Welfare Recipients	41,952	-	-	-	-	41,952
Interest earned	86,621	56,483	6,056	24,082	-	-
Total receipts	804,067	712,004	26,029	24,082	-	41,952
Expenditures on behalf of:						
Residents	683,498	668,543	14,955	-	-	-
Welfare Recipients	40,672	-	-	-	728	39,944
Total expenditures	724,170	668,543	14,955	-	728	39,944
Balance, end of year	1,487,700	995,612	84,455	398,621	5,571	3,441

BALANCE SHEET
as at December 31, 1987

	Total	Homes for the Aged			Campbell	Social
		Residents	Donations	Bequests	Bequests	Services
	$	$	$	$	$	$
Assets						
Cash and accrued interest	582,665	487,593	84,455	1,605	5,571	3,441
Short-term investments	905,035	508,019	-	397,016	-	-
Total assets	1,487,700	995,612	84,455	398,621	5,571	3,441
Fund Balance	1,487,700	995,612	84,455	398,621	5,571	3,441

NOTE TO TRUST FUNDS FINANCIAL STATEMENTS - DECEMBER 31, 1987

SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted for Ontario municipalities as required by the Ministry of Municipal Affairs, and reflect the following policy as set forth in the Municipal Financial Reporting Handbook.

Basis of Accounting
Receipts and expenditures are reported on the cash basis of accounting with the exception of interest income which is reported on the accrual basis.